

MOVING KING COUNTY RESIDENTS FORWARD

Meeting of the Board of Directors

Monday, December 19, 2016
10:15 AM

King County Housing Authority
Snoqualmie Conference Room
600 Andover Park West
Tukwila, WA 98188

Agenda

- I. Call to Order
- III. Roll Call
- IV. Public Comment
- V. Approval of Minutes - November 21, 2016 Board Meeting Minutes
- VI. Resolutions for Discussion and Possible Action
 - a. **Resolution No. 27:** 2016 Budget for MKCRF and MKCRF-Owned Properties
- VII. Board of Directors Comments
- VIII. Adjourn

**MINUTES OF THE MEETING OF THE
MOVING KING COUNTY RESIDENTS FORWARD
BOARD OF DIRECTORS**

Monday, November 21, 2016

I. CALL TO ORDER

The meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was called to order by President Doug Barnes, at 10:35 a.m. at King County Housing Authority, 700 Andover Park West, Tukwila, WA 98188.

II. ROLL CALL

Present: Board of Directors: Doug Barnes, Michael Brown, Susan Palmer, TerryLynn Stewart, John Welch and Secretary of the Corporation, Stephen Norman

III. Public Comment:

No Public Comment.

IV. Approval of the Minutes:

Minutes from the August 18, 2016 Board Meeting were presented for approval.

Director Michael Brown moved for approval of the minutes, with Director TerryLynn Stewart seconding the motion. The minutes were approved.

V. Third Quarter Financial Report for MKCRF and MKCRF –Owned Properties

Craig Violante, Director of Finance, briefed the board and provided an overview on the MKCRF financial reports.

VI. Board of Director Comments

None

VII. Adjournment

There being no further business, the meeting was officially adjourned at 10:58 a.m.

MOVING KING COUNTY RESIDENTS FORWARD

**Douglas J. Barnes
President**

**Stephen J. Norman
Secretary of the Corporation**

MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Craig Violante

DATE: December 6, 2016

RE: Resolution 27: 2017 Budget for MKCRF and MKCRF-Owned Properties

EXECUTIVE SUMMARY

The MKCRF-owned Properties (the “Properties”) will continue to generate positive cash flow in 2017. After debt service payments and required additions to replacement reserves, but before any unit upgrade or capital work, the Properties will generate \$2.2 million of excess cash flow in 2017. When combined with an estimated cash balance of \$500,000 carried over from 2016, there will be enough resources available in 2017 to perform 11 unit upgrades, accomplish \$443,000 in non-recurring maintenance projects, and complete \$1.4 million of capital projects. Ending 2017 working capital balances for the Properties is projected to be approximately \$504,000

MKCRF-Owned Properties

Operations Budget

Below is a high-level summary of the 2017 budget for the Properties. It is in a different format from the formal budget on page 4, and is intended to present the budget in a more user-friendly, operations-oriented layout.

(in \$1,000s)

Sources

Tenant Revenue	\$7,513,534
Other Revenue	7,146
Total Revenue	7,520,680

Uses

Operating Expenses	(3,667,753)
Debt Service	(1,549,491)
Additions to Replacement Reserves	(129,708)
Total Uses	(5,346,952)

2017 Operating Margin	\$2,173,728
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Projected Cash Carried Over from 2016	446,082
Total Available 2017 Resources for Capital	2,619,810

Capital Projects

Unit Upgrades	(289,248)
Non-recurring Maintenance Projects	(443,400)
Capital Projects	(1,382,847)

Total Available Resources, 12/31/2017	\$504,315
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Tenant rents are budgeted at \$7.5 million, an increase of 7.4% over the 2016 budget. Although 2017 contract rents are increasing an average of 6% throughout the MKCRF portfolio, the under-budgeting of some rents in 2016 is resulting in a budget-to-budget increase of 7.4%. The 2017 increase in contract rents is supported by market rent increases in high opportunity areas. 59% of the MKCRF properties are located on the eastside and are reflecting an aggregated 6.5% rent increase, while those located in the south are rising an average of 5.1%.

Salaries and benefits (consisting of administrative salaries and benefits for both administrative and maintenance staff) are showing a blended 9.9% increase over 2016, with the main drivers being increases in medical insurance premiums and retirement contributions.

Operating expenses, including maintenance salaries, maintenance supplies and contracts, utilities and insurance, are reflecting a 4.9% increase.

Administrative support expenses, excluding salaries and benefits, are lower by 3.3%, driven by a \$5,000 decline in professional services and a \$10,000 reduction in travel and training requests.

The debt service budget represents 12 monthly payments of \$128,960 to KCHA as conduit for the FHLB loan, and the replacement reserve is fully funded at \$250 per unit per year.

Capital Budget

Housing Management's Central Maintenance Crew will complete 11 unit upgrades at an average cost of \$26,296 for a total of \$289,248. The average cost of unit upgrades for the Properties is higher than for the program as a whole as 92% of the properties owned by MKCRF consist of larger, family units. The unit upgrade budget is down from the 25 budgeted in 2016, but is more in alignment with the 9 that were actually completed in 2016. A total of 322 of the 509 have been upgraded since inception of the program, leaving only 187 or 36.7% left to modernize. As a result, fewer non-modernized units are becoming available upon turn.

In addition, \$443,400 of additional projects, such as repairing patios, fencing and parking lots, will also be completed.

Although the MKCRF-owned Properties summary budget shown on page 1 reflects a Capital Projects budget of \$1.4 million, this amount is not included in the budget prepared for the Properties but is instead found in the MKCRF entity budget as the capital assets are ultimately transferred to the MKCRF entity at the end of the year.

The full budget for the MKCRF-Owned Properties is on Exhibit A, found on page 4.

MKCRF Entity

A total of \$1.4 million of capital work will be managed by KCHA's Capital Construction department on behalf of MKCRF:

King's Court Envelope Upgrade	\$1,047,527
Evergeen Court Envelope Upgrade	217,711
Wellswood Site Improvements	80,839
Eastridge House Re-roof	80,839
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	\$1,426,916
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These projects will be paid for through a combination of 2017 cash flow and \$500,000 carried over from 2016. These capital projects are reflected on the MKCRF Entity budget as MKCRF purchases the improvements from KCHA on an annual basis.

The negative working capital forecast for the end of 2017 reflects the loan principal payments due to KCHA within 12 months.

The full budget for the MKCRF entity is on Exhibit B, found on page 5.

MOVING KING COUNTY RESIDENTS FORWARD

RESOLUTION NO. 27

ADOPTION OF THE CALENDAR YEAR 2017 OPERATING AND CAPITAL BUDGET

WHEREAS, the King County Housing Authority, as Operator of the Moving King County Residents Forward (MKCRF) Properties (the Properties), has submitted Operating and Capital Budgets for the Properties and for MKCRF for the Calendar Year beginning January 1, 2017 (Calendar Year 2017); and,

WHEREAS, the Board of Directors has determined that the proposed expenditures are necessary for the efficient and economical operation of the Properties and of MKCRF; and,

WHEREAS, the Budgets of the Properties and MKCRF indicates sources of funding adequate to cover all proposed expenditures;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF MOVING KING COUNTY RESIDENTS FORWARD, THAT:

The Calendar Year 2017 Operating and Capital Budgets are hereby adopted. The Budgets are attached hereto as Exhibits A and B and are made a part thereof.

ADOPTED AT A MEETING OF THE BOARD OF DIRECTORS OF MOVING KING COUNTY RESIDENTS FORWARD THIS 19th DAY OF DECEMBER, 2016

**MOVING KING COUNTY RESIDENTS
FORWARD**

Stephen J Norman
Secretary

DOUGLAS J BARNES
President, Board of Directors